

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Council	<b>DATE</b>	18 August 2010
<b>CORPORATE DIRECTOR</b>	Stewart Carruth		
<b>TITLE OF REPORT</b>	Employment Costs		
<b>REPORT NUMBER</b>	CG/10/128		

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### 1. PURPOSE OF REPORT

This report outlines the progress made to date on discussions with trades unions on the payment of increments and how these are to be funded during 2010/11.

### 2. RECOMMENDATION(S)

It is recommended that the Council:

- i) Notes the progress of discussions and ongoing negotiations with trades unions.
- ii) Given the abnormal financial pressures facing the Council approves the alternative increment proposal detailed in Appendix A, payable with effect from 1 April 2010, subject to a collective agreement being reached with the recognised trade unions.
- iii) Should it not be possible to reach collective agreement on the alternative increment proposal, given the abnormal financial pressures facing the Council, the increment that was due to be paid from 1 April 2010 to relevant staff employed under the SJC for Local Government Employees, is deferred until 1 April 2011; and
- iv) Authorises officers to enter into further discussions with Trades Unions with a view to reviewing employment costs, including conditions of service, for all employment groups.

### **3. FINANCIAL IMPLICATIONS**

The report referred to Council on 30 June 2010, from 17 June Finance & Resources Committee regarding employment costs, details the financial position around the increment issue.

The alternative increment proposal which is currently with trades unions to consult with their members, estimates that the cost of increments will be £1.6 million (including employer on-costs.) Integral to the proposal is a “basket” of savings options in employment costs, which will fund the £1.6 million increment costs. Provided the value of the savings offset the cost of the alternative increment proposal so there will be a neutral cost impact. This would be binding on all employees as it will be confirmed by collective agreement.

Failure to secure collective agreement with any of the recognised trades unions will leave the Council in the same position as previously outlined in the Finance & Resources Committee report of 17 June 2010.

### **4. SERVICE & COMMUNITY IMPACT**

The proposal seeks to reach agreement with trades unions and if accepted should have no impact on service delivery. If agreement is not reached and it is resolved to defer the 2010 increment, there are a number of employment tribunal claims lodged to legally challenge the decision.

The proposal has been subject to an Equality Impact Assessment and this has been supplied to the trades unions and will be posted on the intranet with the alternative increment proposal.

### **5. OTHER IMPLICATIONS**

This issue depends on a legal interpretation of the increment clause within the employment contract.

This states “Your salary will normally increase by 1 incremental point every year on 1 April until you reach the maximum for the grade. You will receive your first incremental increase next 1 April or the day following completion of 6 months’ service in post; whichever is later. This increase will be subject to the provisions of any local salary progression scheme in place and provided you are not already at the top of the grade or personally preserved on a fixed point.”

Legal advice received indicates the use of the word “normally” suggests there may be occasional circumstances when incremental progression can be withheld. It is suggested that it may be arguable that the Council can withhold incremental progression in abnormal circumstances. However, employees have a legitimate expectation that they will receive incremental progression and the circumstances in

which progression is withheld may amount to a breach of the duty of trust and confidence.

It has not been possible to secure collective agreement following consultation, as trades unions are opposed to the proposal. The Council may therefore have to decide to withhold incremental progression unilaterally. In doing so, the legal advice is that the Council would have to specify a reasonable basis for withholding (ensuring it is not arbitrary or capricious).

It is considered that the Council's financial position is such that this may be a reasonable basis for withholding the increment. The Council had to find in the region of £30 million worth of service savings during the 2010/11 budget exercise and over £25 million was identified from service budgets, including the reduction/closure of some front line services and deleting posts which resulted in a staff reduction exercise during 2009/10. Part of the remaining savings were identified as coming from employment costs and, following consultation, it was viewed that the withholding of the increment would be the most appropriate way forward as it is specific and will realise the full value of the saving required.

## **6. REPORT**

- i) This report updates Council on the progress of discussions between officers and trades unions on the employment costs savings/incremental progression issue. It should be noted that officers, including senior officers, have made significant efforts and have been committed to developing a negotiated proposal which reflects the financial position faced by the public sector.
- ii) The negotiations have been led by the Director of Corporate Governance and a number of options have been considered. Following discussions, a preferred option has been developed and the trades unions have agreed to consult their members on the preferred proposal. This consultation will conclude on 3 September 2010.
- iii) The detail of the proposal is shown at Appendix 'A'. In summary it seeks to apply spare spinal column points on the CoSLA pay spine that are not currently used in the Council's pay and grading structure. If approved this will result in a 1.5% incremental increase for all employees who could have expected to receive an increment on 1 April 2010
- iv) The cost of the increment proposal is £1.6 million including employer on-costs. In order for this proposal to be agreed, savings to the same value will need to be achieved from employment costs. In order to identify the savings in employment costs, the following areas have been identified where it believes these are achievable:

Area	Estimated Saving during 2010
Agency Staffing	£1million
Car User Allowances	£100,000 approx
Harmonising and reducing Non-Standard Working Week Allowance	£150,000 approx
Ceasing/Reviewing other Allowances	£40,000 approx
Reviewing (with a view to ceasing) Acting Allowances/Higher Graded Duty Payments	£200,000 approx
Rigorous Vacancy Management	£100,000
Cease payment of allowances when an employee is not at work e.g. sickness, holidays or special leave	£10,000 approx

- (v) The above savings, if all accepted will achieve the £1.6 million required.
- (vi) The proposal represents a package that unless the savings identified above, or other compensatory savings from employment costs can be realised to pay for the alternative proposed increment, this proposal will not be viewed as acceptable. Furthermore, this proposal is only agreeable to the Council if trades unions, following consultation with their members, agree to sign a collective agreement. If one of the recognised trades unions refuses to sign a collective agreement, then the proposal will not be applied.
- (iv) Should agreement be reached with the recognised trades unions to sign a collective agreement on the increment proposal (detailed at Appendix A) and the required savings to offset the full £1.6 million costs, the Chief Executive be mandated to sign the collective agreement on behalf of the Council.
- (v) If it is not possible to reach collective agreement with all or any of the recognised trade unions on the proposal that it is determined that due to abnormal financial pressures, that are outlined in the 'Financial Considerations' of this report facing the Council, the increment that was due to be paid from 1 April 2010 to relevant staff employed under the SJC for Local Government Employees, is deferred until 1 April 2011;
- (vi) If collective agreement is reached and the increment proposal adopted, this will take account of arrangements for 2010/11. Further discussions will be necessary to determine:
  - a) The increment arrangements for future years: and
  - b) The future of local terms and conditions of service

The outcome of these discussions will be reported back to Finance and Resources Committee for decision at the earliest juncture.

## **6. REPORT AUTHOR DETAILS**

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## **7. BACKGROUND PAPERS**

- Budget Speech 2010/11.
- Employment Costs Report to Finance & Resources Committee dated 17 June 2010.
- Minute of Council meeting held on 30 June 2010 which considered the remit of the Employment Costs Report to Finance & Resources Committee dated 17 June 2010.

## **Aberdeen City Council**

### **Proposal for Achieving Employment Costs Saving 2010/11 Budget**

#### **Introduction**

Following constructive discussions with the local representatives from the Trades Unions the attached proposal has been discussed and developed. It is provided for the purposes to allow trade unions to consult with their members.

#### **Scope of Proposal**

In respect of the increment proposal, the use of the spare spinal column points will be an interim arrangement for 2010/11 only. The arrangement will revert to the contractual position, as agreed following further discussions on terms and conditions.

As for the proposals in respect of conditions of service the proposal only applies during financial year 2010/11.

It should be noted that discussions will be ongoing to change the EP&M conditions during the remainder of financial year 2010/11, with a view to making employment costs savings. If collective agreement is reached in these discussions the agreed revised provisions will apply and not the EP&M provisions.

#### **Increment Proposal Context**

The Council's current grade structure consists of 15 grades which have from 1 to 4 incremental points within the grade. Progression within the grade is determined by length of service alone, with job holders normally moving up the scale by 1 point each year until the top of the grade is reached.

The Aberdeen City Council pay structure is based on a set of spinal column points of hourly rates issued nationally by CoSLA. The CoSLA pay spine has 123 individual spinal column points and the amended ACC grade structure covers up to a maximum point 104. Not all of those 104 points are used by our current grade structure because guidelines issued by the Equal Opportunities Commission recommend that there should be a maximum of 5 incremental steps where length of service is the criterion for progression. As a result each grade uses selected spinal column points and "skips" some of the intermediate points.

The full grade structure is shown at Appendix 1. The spinal column points highlighted are those used in the current grade structure. This structure achieves the aims which were in place when it was originally designed, eg reducing the number of employees in detriment, but also results in relatively high costs of

incremental progression as so many of the current employees are on the bottom point of their grade.

### **Proposal**

The proposal is made arising from the need to achieved £4.5 million savings in employment costs. To date the current proposal to make the saving is not to pay the 2010 increment. This remains an option if agreement cannot be reached.

The highlighted spinal column points shown at Appendix 1 are those used in the council's pay and grading structure. Those that are not highlighted are spinal column points that are not currently used. The proposal is to utilise the next higher available spinal column point on the Aberdeen City Council amended pay spine for everyone who is not on the top point of their grade, across all grades. This will result in a 1.5% increase in pay for everyone who is not on the top point of their grade.

The cost of this proposal is £1.6 million with employer's on-costs. In order to afford to pay this proposal an offset saving of the same value (i.e. £1.6 million) will need to be achieved. It is suggested this could be made from a "basket" of saving proposals. The "basket" represents a series of costed options.

The proposals will be subject to an Equality Impact Assessment to ensure there is no evident or inherent discrimination. This assessment will be made available.

### **Consultation**

Trade unions have agreed to consult their members on this proposal and that this is a constructive approach to deal with this difficult issue. The Council will also consult with staff on the proposal and remains open to the submission of other suggestions as to how employment cost savings can be made.

Attached are the potential areas for savings with estimated savings, plus the detail of the increment proposal.

The consultation period will close on 3 September 2010.

**Possible Areas for Savings in Employment Costs – Consultation Paper – July 2010**

	<b>Proposal</b>	<b>Projected Saving</b>	<b>Comments</b>
1.	Agency Costs – Reduce the number of Agency Workers used by the Council.	£1 million	It is recognised that this proposal may increase workload in some areas. It will for be for Line Managers to determine the priorities and manage their work in accordance with those priorities.
2.	Rationalisation of Car User Allowances – Apply the provision of the scheme agreed through the Equal Pay and Modernisation arrangement. This will result in some employees currently in receipt of the allowance who do not meet the criteria having the allowance stopped. Those who meet the criteria will have their allowance reduced to the rate based on their mileage.	£100,000	As this is applying the EP&M agreement this does not represent change to contract. Those staff currently in receipt of an ECU Allowance whose post does not meet the revised criteria will be given notice of cessation of the allowance and but will still be able to have mileage reimbursed as a casual car user.  All others will have their allowance level reassessed based on previous year's mileage and notified of the revised ECU rate.
3	Harmonisation and reduction in the Non-Standard Working Week Allowance (NSWWA) – To have just	£150,000	This will bring a standardised approach to the NSWWA.



	one standard rate of 25% for all NSWWA arrangements. This will apply to all hours (except overtime) worked at a weekend and hours worked between 2000 and 0700 the following morning		
4.	<p>Rationalisation and Cessation of the following specified Additional Allowances –</p> <ul style="list-style-type: none"> <li>○ First Aid Allowance - only paid to staff where there is high risk of accident and not where first aid is part of the role.</li> <li>○ Fire Warden Allowance – Payment to cease responsibility becomes that of First Line/Service Manager with no additional payment.</li> <li>○ Work place Disturbance Allowance – Allowance to cease</li> </ul>	£40,000	<p>First Aid Allowance will only be applied where (following risk assessment) that it is determined the working environment is high risk. This will be in accordance with HSE guidelines. Where the work area is deemed to be high risk and requires a qualified First Aider at Work (FAW.) Where a FAW is identified the person must be a certified first aider and will receive the allowance.</p> <p>For all other situations will be covered by a Emergency First Aider at Work (EFAW). EFAW's do not required to have the full certificated training and for EFAW's no allowance will be paid - this will be a voluntary arrangement.</p> <p>Fire Warden responsibilities will be made a management responsibility for Line/Service Managers</p> <p>Work-place disturbance allowance will not be paid any longer.</p>

5.	Review (with a view to cease) Acting Allowances and Higher Graded Duty payments – Directors to review all acting arrangements and higher graded duty payments to determine if absolutely necessary and cease where not.	£200,000	Where allowances are reviewed and ceased staff will revert to their substantive roles and not be expected or required to undertake the higher level duties.
6.	Vacancy Management – Only approve filling of vacant posts where a clear and coherent business case is made and approved by CMT. Where approval to fill is refused or not decided as necessary there will be no backfill arrangements e.g. Agency staff recruited, Overtime approved, Acting or Higher Graded Duty arrangements put in place.	£100,000	These savings will be from the non-filling of vacant posts that are on the establishment list and have a budget identified.
7.	Cease payment of Allowances when an employee is not at work – Where an employee is away from work due to sickness, holidays or special leave do not pay the following defined allowances: <ul style="list-style-type: none"> <li>○ Stand-by Allowances</li> <li>○ Essential Car User Allowance</li> </ul>	£10,000	No comment required.
<b>TOTAL PROJECTED SAVINGS</b>		<b>£1,600,000</b>	

## Increment Proposal

- Use the intermediate spinal column points which are not currently part of the grade structure and pay 1 SCP incremental progression across all grades. This would result in a 1.5% increase in basic pay for all employees who are not currently at the top of their grade.
- The above proposal will apply from 1<sup>st</sup> April 2010 and replace the contractual provision.
- The cost of this proposal is £1.6 million (basic pay costs only) which will need to be offset from the savings proposed in the “basket” outlined earlier in this proposal.

15 Grade Structures

Spinal Column Points	Hourly Rate (w.e.f. 1/4/09)	Annual Value (37 hours per week)	Points used by each grade
104	28.43	54,699	17
103	28.01	53,891	
102	27.59	53,083	17
101	27.19	52,314	
100	26.78	51,525	17
99	26.4	50,794	
98a	26.01	50,043	17
98	26	50,024	16
97	25.63	49,312	
96	25.25	48,581	
95	24.87	47,850	16
94	24.52	47,176	
93	24.15	46,465	
92	23.79	45,772	16
91	23.44	45,099	
90	23.09	44,425	
89a	22.77	43,809	16
89	22.76	43,790	15
88	22.42	43,136	
87	22.08	42,482	
86	21.75	41,847	15
85	21.43	41,231	
84	21.13	40,654	
83	20.81	40,038	15
82	20.48	39,404	
81	20.2	38,865	
80a	19.91	38,307	15
80	19.9	38,288	14
79	19.6	37,710	
78	19.32	37,172	
77	19.02	36,594	14
76	18.73	36,037	
75	18.48	35,556	
74	18.2	35,017	14
73	17.92	34,478	
72	17.66	33,978	
71a	17.4	33,478	14
71	17.39	33,458	13
70	17.15	32,997	
69	16.89	32,496	
68	16.64	32,015	13
67	16.4	31,554	
66	16.15	31,073	
65	15.92	30,630	13
64	15.68	30,168	
63	15.46	29,745	
62a	15.21	29,264	13
62	15.2	29,245	12
61	15.01	28,879	
60	14.77	28,417	
59	14.57	28,033	12
58	14.34	27,590	
57	14.12	27,167	
56	13.92	26,782	12
55	13.7	26,359	
54	13.5	25,974	
53a	13.31	25,608	12

Spinal Column Points	Hourly Rate (w.e.f. 1/4/09)	Annual Value (37 hours per week)	Points used by each grade
53	13.3	25,589	11
52	13.11	25,224	
51	12.92	24,858	
50	12.73	24,493	11
49	12.54	24,127	
48	12.36	23,781	
47	12.17	23,415	11
46	11.99	23,069	
45	11.83	22,761	
44a	11.64	22,395	11
44	11.63	22,376	10
43	11.49	22,107	
42	11.29	21,722	
41	11.14	21,433	10
40	10.97	21,106	
39	10.8	20,779	
38	10.66	20,510	10
37	10.49	20,183	
36a	10.34	19,894	10
36	10.33	19,875	9
35	10.19	19,606	
34	10.03	19,298	
33	9.89	19,028	9
32	9.71	18,682	
31	9.59	18,451	
30	9.45	18,182	9
29	9.31	17,912	
28a	9.18	17,662	9
28	9.17	17,643	8
27	9.04	17,393	
26	8.9	17,124	
25	8.77	16,873	8
24	8.64	16,623	
23	8.51	16,373	
22a	8.4	16,162	8
22	8.39	16,142	7
21	8.26	15,892	
20	8.14	15,661	7
19	8.03	15,450	
18a	7.9	15,200	7
18	7.89	15,180	6
17	7.79	14,988	
16	7.68	14,776	6
15	7.55	14,526	
14a	7.45	14,334	6
14	7.44	14,315	5
13	7.34	14,122	
12	7.24	13,930	5
11	7.11	13,680	
10a	7.03	13,526	5
10	7.02	13,506	4
9	6.92	13,314	
8a	6.73	12,949	4
7a	6.72	12,929	3

nb Highlighted points are those currently used. Non-highlighted points are the spare SCP's which are not currently used in the Council's Pay and grading structure